

INFORMATION REPORT

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COUNTRY China

SUBJECT Shanghai Economic and Security Situation

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SUPPLEMENT TO  
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NOT CIRCULATE

1. In October 1950 the Chinese Communist government was planning to abandon all large cities along the seacoast and cities south of the Yangtze in the event of World War III. Government organizations in these places were ordered to complete the necessary preparations for moving their offices prior to the end of December 1950.
2. Most of the machinery stored in Shanghai was to be transferred to the North prior to the end of December. HSU Ching-fu (徐景福), an official of the Ministry of Heavy Industry, was appointed to take charge of moving machinery from Shanghai. In September Shanghai Communists were advising people that all their factories were to be moved to North or Northeast China, where they would be able to produce more and where it would be more convenient to bring in materials needed by the factories. Large amounts of machinery and equipment stored in the Canidrome on Rue Roi Albert were being shipped to the North.
3. Between September and November large numbers of Soviets left Shanghai secretly, departing at night from the West Station. In mid-November, most of the Soviets connected with the Kiangnan and Hungjao airfields left Shanghai for Hsuehow.
4. In September, because of large-scale unemployment, most of the working class in Shanghai were dissatisfied with the Communist regime.
5. By October the industrial situation in Shanghai had improved somewhat. The municipal government was making heavy purchases of raw materials and capital goods needed by the factories in order to alleviate unemployment--about 1,000,000 people were unemployed--and also to use foreign exchange which, in the event of a world war, would be frozen by foreign governments. Communists

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## CENTRAL INTELLIGENCE AGENCY

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had control of the Bank of China Ltd., the Bank of Communications, and the Shanghai Commercial and Savings Bank Ltd., all of which had large amounts of foreign exchange in their Hong Kong and New York branches. Despite the partial industrial recovery,\* it was still difficult to make a living in Shanghai. People with money could live quietly but had to restrict their movements to avoid questioning by the police.

6. Cotton yarn factories in Shanghai suffered a great deal because of the government's shipment of large quantities of cotton yarn northward. From July to October more than 9,400,000 tons of materials including cotton yarn, cotton cloth, machinery, metal goods, rice, beans, and flour were shipped northward through Shanghai. From late October until December more than 60 cotton yarn factories in Shanghai which had resumed operation in the late summer and more than 39 which had not closed previously were obliged to close because of the shortage of supplies. About 30 cotton yarn factories in Suchow, 30 in Wuhsi, and 10 in Changchou were also forced to close because of material shortages.
7. On 26 October JUNG Te-sheng (熊德生), an important flour and cotton yarn industrialist in Shanghai was arrested. According to a decision reached by the first "mass liquidation" meeting held on 2 November, all his properties were sealed and registered and were to be disposed of.
8. In early December cement tile factories in Shanghai were closed because the government suspended their ration of cement. The government planned to resume rationing of cement in about six months, when military requirements were expected to be met.
9. In late October guerrillas had almost complete control of the rural areas near Shanghai, especially the Pootung section and the area between Shanghai and Hangchow. The number of customs and police patrols, and railway guards in Shanghai was increased. Policemen travelled in threes instead of pairs as formerly. In response to the "winter defense" movement, which opened in early December, to prevent the spreading of rumors and sabotage by guerrillas, employees of the Shanghai-Nanking and Shanghai-Hangchow railways organized a large number of units to garrison the two railways. Each unit consists of 20 men under a leader and an instructor. Each unit is assigned a section of railroad to guard. These men underwent a political and military training course during December.\*\*
10. In January the Communists in Shanghai started organizing children between the ages of 12 and 15 into "Children's Inspection Units" for the purpose of watching the population. Units of four children inspect families daily by rotation. They are instructed to pay particular attention to newcomers, and to keep records on the living conditions, activity, and conversations of each family assigned to them.
11. On 11 October 1950 the Chinese Communist Government ordered all radio stations in Shanghai to use the same frequencies as the Voice of America and other foreign stations. Thus all foreign stations have been jammed until midnight, when the local stations go off the air.
12. In early February labor unions in cooperation with the Shanghai municipal authorities were conducting vocational training courses for about 4,000 unemployed. Courses included the manufacture of electrical appliances, manufacture of chemical products, surveying, bookkeeping, and factory management and administration.

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25X1A \* [REDACTED] Comment. [REDACTED] gives data on the economic situation in Shanghai during 1950.

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\*\* [REDACTED] Comment. Activities of the Shanghai Public Security Bureau in late 1950 and early 1951 are described [REDACTED]

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